

TOWNSHIP OF MARKEY
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

TOWNSHIP OFFICIALS

SUPERVISOR

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JOSEPH VAN OSTENBRIDGE

TOWNSHIP OF MARKEY

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	10
Enterprise Funds:	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Balance	12
Statement of Cash Flows	13
Fiduciary Funds:	
Statement of Assets and Liabilities	14
Notes to Financial Statements	15-23
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	24-26
Budgetary Comparison Schedule – Fire/Ambulance Fund	27
Budgetary Comparison Schedule – Road Fund	28
Budgetary Comparison Schedule – Trash Fund	29



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INDEPENDENT AUDITOR'S REPORT

June 1, 2008

To the Township Board
Markey Township
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Markey, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the major fund activity of the Township of Markey as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 23-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2008

This section of Markey Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2008 totaled approximately \$2,495,000 for governmental activities and \$1,461,000 for business-type activities. Approximately \$850,000 of the governmental total represents capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$1,180,000 (\$122,000 from program revenues and \$1,158,000 from general revenues). Overall expenses for the Township's governmental activities approximated \$991,000.

Revenues derived from business-type activities totaled approximately \$84,000 (\$16,000 from user charges and \$68,000 from investments). Expenditures were approximately \$42,000. The sewer operations were turned over to the Houghton Lake Sewer Authority along with the fixed assets of the Township's Sewer fund. This resulted in a decrease in net assets to the sewer fund of \$4,876,188.

The Township has no outstanding debt. The Township purchased approximately \$103,000 in capital assets. Capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Fire/Ambulance, Road and Trash Funds. Sewer utility activities are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity. As noted above, the operations of this activity has been turned over to the Houghton Lake Sewer Authority.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Enterprise Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Township's government-wide statements and fund statements presentation.

Fiduciary Funds: The Township acts as a trustee and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets – governmental activities increased approximately \$150,000 during the year to total \$2,495,203. Net assets for business-type activities decreased \$4,833,950 to total \$1,458,998.

Governmental Activities: The increase in net assets for governmental activities is due to efficiencies in the fire/ambulance fund.

Business Type Activities: The decrease in net assets for business-type activities can be attributed to the disposition of the fixed assets.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire/Ambulance Fund – This fund is used to account for the property tax collections for fire/ ambulance services and charges to patients for ambulance runs. The main expenditure of this fund is the wages and fringes for fire/ambulance personnel.

Road Fund – This fund is used to account for financial transactions related to the repair and maintenance of the Township's roads. Revenues consist mainly of property taxes.

Trash Collection Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Esther Rons, Clerk, at 4974 East Houghton Lake Drive, Houghton Lake, MI 48629, or by calling (989) 366-9614.



Esther Rons, Township Clerk

**TOWNSHIP OF MARKEY
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 814,216	\$ 1,352,540	\$ 2,166,756
Receivables	831,879	106,458	938,337
Capital assets:			
Nondepreciable capital assets	93,963	-	93,963
Depreciable capital assets - net	755,145	-	755,145
Total Assets	2,495,203	1,458,998	3,954,201
Liabilities			
Accounts payable	17,250	-	17,250
Net Assets			
Invested in capital assets	849,108	-	849,108
Restricted - Fire protection	785,257	-	785,257
Restricted - Road improvements	201,134	-	201,134
Restricted - Trash	222,892	-	222,892
Restricted - Sewer utilities	-	-	-
Unrestricted	419,562	1,458,998	1,878,560
Total net assets	\$ 2,477,953	\$ 1,458,998	\$ 3,936,951

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities
Functions/Programs					
Primary government:					
Governmental activities:					
General government	(342,528)	28,394	-	(314,134)	-
Public safety	(375,867)	93,615	-	(282,252)	-
Health and welfare	(171,422)	-	-	(171,422)	-
Public works	(101,646)	-	-	(101,646)	-
Total government activities	(991,463)	122,009	-	(869,454)	-
Business-type activity	(42,172)	15,791	-	-	(26,381)
Sewer					
Total primary government	(1,033,635)	137,800	-	869,454	(26,381)
General Revenues:					
Property taxes				806,390	-
State shared revenue (not restricted to a specific purpose)				182,709	-
Interest				56,831	68,619
Miscellaneous				12,240	-
Loss on disposal of fixed assets					(4,876,188)
Total general revenue				1,058,170	(4,807,569)
Change in net assets					
Net Assets - Beginning of Year				188,716	(4,833,950)
				2,289,237	6,179,548
Net Assets - End of Year				2,477,953	1,458,998

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008**

	<u>General</u>	<u>Fire/ Ambulance</u>	<u>Road</u>	<u>Trash</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 282,273	\$ 409,104	\$ 82,257	\$ 40,582	\$ 814,216
Due from other funds	140,623	361,975	118,877	195,680	817,155
Receivables	-	14,724	-	-	14,724
Total assets	<u>\$ 422,896</u>	<u>\$ 785,803</u>	<u>\$ 201,134</u>	<u>\$ 236,262</u>	<u>\$ 1,646,095</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 3,334	\$ 546	\$ -	\$ 13,370	\$ 17,250
Due to other Governmental units	-	-	-	-	-
Fund balances					
Undesignated	<u>419,562</u>	<u>785,257</u>	<u>201,134</u>	<u>222,892</u>	<u>1,628,845</u>
Total liabilities and fund balances	<u>\$ 422,896</u>	<u>\$ 785,803</u>	<u>\$ 201,134</u>	<u>\$ 236,262</u>	<u>\$ 1,646,095</u>

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET AND
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total fund equity - governmental activities (page 7)	\$	1,628,845
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
current financial resources and therefore are not recorded
in the funds. This represents the amounts by which
capital assets used in governmental funds exceeds
accumulated depreciation.

849,108

Change in net assets of governmental activities (per Statement of Activities - page 5)	\$	2,477,953
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2,477,953

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	<u>General</u>	<u>Fire/ Ambulance</u>	<u>Road</u>	<u>Trash</u>	<u>Total</u>
Revenues:					
Property tax revenue	\$ 128,912	\$ 362,615	\$ 119,183	\$ 195,680	\$ 806,390
State shared revenue	182,709	-	-	-	182,709
Licenses and permits	-	-	-	-	-
Charges for services	28,394	93,615	-	-	122,009
Interest	21,392	23,406	5,739	6,294	56,831
Other	11,855	385	-	-	12,240
Total revenues	<u>373,262</u>	<u>480,021</u>	<u>124,922</u>	<u>201,974</u>	<u>1,180,179</u>
Expenditures:					
General government	424,795	-	-	-	424,795
Public safety	-	334,859	-	-	334,859
Health and welfare	-	-	-	171,422	171,422
Public works	13,295	-	88,351	-	101,646
Total expenditures	<u>438,090</u>	<u>334,859</u>	<u>88,351</u>	<u>171,422</u>	<u>1,032,722</u>
Excess (deficiency) of revenue over expenditures	(64,828)	145,162	36,571	30,552	147,457
Fund Balance - Beginning of Year	<u>484,390</u>	<u>640,095</u>	<u>164,563</u>	<u>192,340</u>	<u>1,481,388</u>
Fund Balance - End of Year	<u>\$ 419,562</u>	<u>\$ 785,257</u>	<u>\$ 201,134</u>	<u>\$ 222,892</u>	<u>\$ 1,628,845</u>

See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net change in fund balances - Governmental activities (page 9)	\$	147,457
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Depreciation expense is recorded in the government-wide statements but not in the fund financial statements		-62660
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Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		103,919
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Change in net assets of governmental activities (per Statement of Activities - page 6)	\$	188,716
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See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
STATEMENT OF NET ASSETS
SEWER FUND
MARCH 31, 2008**

Assets	
Cash and cash equivalents	\$ 1,352,540
Receivables	106,458
	<hr/>
Total assets	1,458,998

Fund net assets	
Unrestricted	1,458,998
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Total net assets	\$ 1,458,998
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See accompanying notes to financial statements.

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
SEWER FUND
YEAR ENDED MARCH 31, 2006

Operating revenues	
Usage fees	\$ 4,511
Other charges	11,280
	<hr/>
Total operating revenue	15,791
Operating expenses	
General and administrative costs	34,921
Repairs and maintenance	6,409
Depreciation	-
Miscellaneous	842
	<hr/>
Total operating expenses	42,172
	<hr/>
Operating income	(26,381)
Loss on disposition of fixed assets	(4,876,188)
Nonoperating revenue - interest	68,619
	<hr/>
Change in net assets	(4,833,950)
Net assets - Beginning of Year	6,292,948
	<hr/>
Net assets - End of Year	\$ 1,458,998
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See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
SEWER FUND
YEAR ENDED MARCH 31, 2008**

Cash flows from operating activities:

Cash received from customers	\$ 20,341
Cash payments to suppliers for goods and services	(43,504)
Cash payments to employees and professional contractors for services	<u>(8,754)</u>
Net cash provided (used) by operating activities	(31,917)

Cash flows from non-capital financing activities:

Receipts from special assessments	<u>15,672</u>
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Cash flows from investing activities:

Investment income	<u>68,619</u>
Net cash provided (used) by investing activities	<u>68,619</u>

Net increase (decrease) in cash and cash equivalents	<u>52,374</u>
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Cash and cash equivalents at beginning of year	<u>1,300,166</u>
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Cash and cash equivalents at end of year	<u>\$ 1,352,540</u>
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating loss	\$ (26,381)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	20,795
Decrease in accounts receivable	<u>16,714</u>
Net cash used by operating activities	<u>\$ 11,128</u>

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
MARCH 31, 2006**

	Assets	
Cash and cash equivalents		\$ 817,155
		<u>817,155</u>
	Liabilities	
Due to other funds		\$ 817,155
		<u>817,155</u>

See accompanying notes to financial statements.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE A: ENTITY

The Township of Markey is a general law township of the State of Michigan organized in 1879, located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Markey Township.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Markey Township are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Markey Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish between governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for governmental, enterprise, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Fire/Ambulance Fund - This fund is used to account for all financial activity related to the Township's fire and ambulance services. The main source of revenue is derived from property taxes and ambulance fees.

Road Fund - This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Trash Fund - This fund is used to account for the Township's trash pick-up services. Revenues are derived from property tax assessments.

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

The Township records the following major enterprise fund:

Sewer - This fund is used to account for the Township's sewer utility services. Revenues are derived from user charges.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Fiduciary Funds

These funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve

measurement of results of operations. The Township maintains a tax collection fund in this category.

The Township has no non-major funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Enterprise and Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements (Continued)

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property Taxes

The property tax calendar is as follows:

Levy Dates	July 1, 2007	(summer collection)
	December 1, 2007	(winter collection)
Due Dates	September 15, 2007	(summer collection)
	February 15, 2008	(winter collection)

The real property tax rolls were turned over to the County of Roscommon on March 1, 2008. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date is assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

The tax rates for the year ended March 31, 2008, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	1.0926 mills per \$1,000
Fire/Ambulance	3.0000 mills per \$1,000
Road	0.9755 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township overspent its budget in the Trash Fund in the amount of \$3,110.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

BUDGET (CONTINUED)

The approved budgets of the Township for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during February and March and a budget hearing is held in March. The board adopts the budget prior to April 1. Amendments are made when deemed necessary. Budgets are not required for enterprise and fiduciary funds.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1 – 3 years
Office furniture	5 – 20 years
Township vehicles	4 – 7 years
Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Fire Trucks and Ambulances	20 years
Fire and Ambulance equipment and peripherals	25 – 30 years

Land and construction in progress are not depreciated.

For information describing capital assets, see Note E.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE C: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated four banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

Markey Township's deposits and investment policies are in accordance with statutory authority.

As of March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

Governmental activities	\$2,166,756
Business-type activities	1,352,540
Fiduciary funds	<u>817,155</u>
	<u>\$4,336,451</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Bank deposits – checking and savings accounts	\$3,254,147
Certificates of deposit	<u>1,082,304</u>
Total	<u>\$4,336,451</u>

Deposits

The bank balance of the Township's deposits is \$4,357,974 of which \$600,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level are used as depositories.

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE D: ACCOUNTS RECEIVABLE

SEWER UTILITIES

Sewer usage fees due from customers are \$19,299 and are all current.

No allowance for doubtful accounts is required since delinquent accounts are added annually to the tax rolls and becomes liens on the property.

The special assessment receivable at March 31, 2008 was \$87,159.

AMBULANCE COLLECTIONS

The amount of outstanding ambulance collections due from patients at March 31, 2008 is as follows:

Accounts receivable	\$ 21,353
Allowance for doubtful accounts	<u>(6,629)</u>
Net accounts receivable	<u>\$ 14,724</u>

Management has estimated 70% of total outstanding receivables to be collectible, based on historical collectibility data.

TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

NOTE E: CAPITAL ASSETS

Capital asset activities of the Township's activities were as follows:

Capital assets not being depreciated - Land	\$	93,964	\$	-	\$	-	\$	93,964
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Capital assets being depreciated:

Land improvements	9,500	48,965	-	58,465
Buildings	240,422	18,592	-	259,014
Equipment	861,501	36,362	-	897,863
Furniture & fixtures	9,676	-	-	9,676
Subtotal	1,121,099	103,919	-	1,225,018

Accumulated depreciation:

Land improvements	356	2,261	-	2,617
Buildings	102,274	7,456	-	109,730
Equipment	299,939	51,388	-	351,327
Furniture & fixtures	4,644	1,556	-	6,200
Subtotal	407,213	62,661	-	469,874
Net capital assets being depreciated	713,886	41,258	-	755,144
Net capital assets	\$ 807,850	\$ 41,258	\$ -	\$ 849,108

Business-type activities	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
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Capital assets being depreciated:

Sewer system	\$ 7,361,638	\$ -	\$ 7,361,638	\$ -
Equipment	210,928	-	210,928	-
Subtotal	7,572,566	-	7,572,566	-

Accumulated depreciation:

Sewer system & equipment	2,696,378	-	2,696,378	-
Net capital assets being depreciated	\$ 4,876,188	\$ -	\$ 4,876,188	\$ -

**TOWNSHIP OF MARKEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE E: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

General Government	\$ 10,868
Fire/Ambulance	<u>51,792</u>
Total	<u>\$ 62,660</u>

NOTE F: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property tax revenue	\$ 131,906	\$ 131,906	\$ 128,912	\$ (2,994)
State shared revenue	179,041	179,041	182,709	3,668
Licenses and permits	45,000	45,000	-	45,000
Charges for services	22,650	22,650	28,394	5,744
Interest	16,000	16,000	21,392	5,392
Other	10,700	10,700	11,855	1,155
Total revenue	405,297	405,297	373,262	(32,035)
Expenditures				
Township Board:				
Salaries	8,057	20,782	25,893	(5,111)
Fringe benefits	72,600	72,600	73,104	(504)
Supplies	8,000	8,000	7,031	969
Professional services	4,200	4,200	3,395	805
Printing & publishing	2,500	2,500	3,507	(1,007)
Insurance & bonds	12,250	12,250	11,995	255
Miscellaneous	11,850	11,850	8,490	3,360
Total township board	119,457	132,182	133,415	(1,233)
Township Supervisor:				
Salaries	18,116	18,180	18,334	154
Supplies/travel/training	1,400	1,400	1,246	154
Total supervisor	19,516	19,580	19,580	-
Election Board	2,600	2,600	1,668	932
Township Assessor:				
Salaries	30,831	30,831	31,746	(915)
Contractual	15,000	15,000	15,780	(780)
Office supplies & equipment	3,100	3,100	1,651	1,449
Tax roll preparation	11,400	11,400	9,259	2,141
Miscellaneous	1,850	2,975	4,854	(1,879)
Total assessor	62,181	63,306	63,290	16

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Clerk:				
Salaries	32,022	32,022	32,033	(11)
Supplies/training/travel	1,850	1,850	1,149	701
Total clerk	33,872	33,872	33,182	690
Board of review	2,000	2,000	1,112	888
Township Treasurer:				
Salaries	27,666	27,666	26,270	1,396
Supplies/travel/training	4,900	4,900	2,779	2,121
Total treasurer	32,566	32,566	29,049	3,517
Township Hall and Grounds:				
Salaries	22,000	25,500	20,103	5,397
Operating supplies	4,000	4,000	2,674	1,326
Dues & memberships	2,200	2,200	2,155	45
Utilities	7,200	7,200	9,794	(2,594)
Mileage	1,400	1,400	475	925
Street lights	14,000	14,000	13,295	705
Repair and maintenance	76,600	76,600	66,865	9,735
Equipment	5,000	5,000	3,118	1,882
Professional services	7,000	7,000	2,725	4,275
Total township hall and ground	139,400	142,900	121,204	21,696
Zoning	5,930	10,340	10,341	(1)
Planning Commission:				
Salaries	5,500	5,500	5,806	(306)
Miscellaneous	5,850	5,850	2,934	2,916
Total planning commission	11,350	11,350	8,740	2,610

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

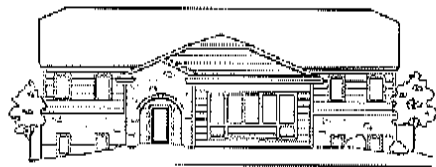
	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Land Use:				
Salaries	11,357	11,357	10,833	524
Professional services	-	1,275	2,725	(1,450)
Supplies/travel/training	1,900	1,900	1,283	617
Administration	2,000	2,000	1,668	332
Total land use	15,257	16,532	16,509	23
 Houghton Lake Building Agency	45,000	45,000	-	45,000
Total expenditures	489,129	512,228	438,090	74,138
Excess (deficiency) of revenues over expenditures	(83,832)	(106,931)	(64,828)	42,103
Fund Balance - Beginning of Year	484,390	484,390	484,390	-
Fund Balance - End of Year	\$ 568,222	\$ 591,321	\$ 419,562	\$ 231,182

**TOWNSHIP OF MARKEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE/AMBULANCE FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property tax revenue	\$ 368,236	\$ 368,236	\$ 362,615	\$ (5,621)
Charges for services	85,000	85,000	93,615	8,615
Interest	10,000	10,000	23,406	13,406
Other	2,380	2,380	385	(1,995)
Total revenue	465,616	465,616	480,021	14,405
Expenditures				
Wages and fringe benefits	161,300	161,300	150,912	10,388
Supplies and small equipment	22,400	22,400	15,699	6,701
Repair and maintenance	34,200	34,200	10,162	24,038
Contractual services	63,500	63,500	52,133	11,367
Utilities	11,500	11,500	10,918	582
Insurance	23,000	23,000	13,414	9,586
Fuel/travel	7,000	7,000	7,974	(974)
Education and training	10,000	10,000	4,792	5,208
Capital outlay	122,500	122,500	63,484	59,016
Miscellaneous	9,800	9,800	5,371	4,429
Total expenditures	465,200	465,200	334,859	130,341
Excess of revenues over expenditures	416	416	145,162	144,746
Fund Balance - Beginning of Year	640,095	640,095	640,095	-
Fund Balance - End of Year	<u>\$ 640,511</u>	<u>\$ 640,511</u>	<u>\$ 785,257</u>	<u>\$ 144,746</u>

TOWNSHIP OF MARKEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property tax revenue	\$ 181,350	\$ 181,350	\$ 195,680	\$ 14,330
Interest	2,500	2,500	6,294	3,794
Total revenue	183,850	183,850	201,974	18,124
Expenditures				
Contract charges	165,242	171,422	171,422	-
Miscellaneous	2,800	-	-	-
Total expenditures	168,042	171,422	171,422	-
Excess (deficiency) of revenues over expenditures	15,808	12,428	30,552	18,124
Fund Balance - Beginning of Year	192,340	192,340	192,340	-
Fund Balance - End of Year	<u>\$ 208,148</u>	<u>\$ 204,768</u>	<u>\$ 222,892</u>	<u>\$ 18,124</u>



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 19, 2008
To the Township Board
Markey Township
Roscommon County, MI

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA
Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Markey (the Township) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

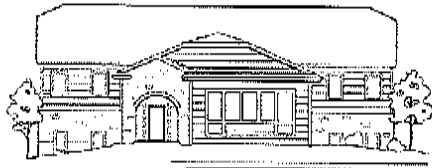
Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Markey's Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskin, Cook, Miller & Alexander LLP

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Ronald D. Alexander, CPA (Ret.)

June 1, 2008
To the Township Board
Markey Township
Roscommon County, MI

We have audited the financial statements of the governmental activities and the major fund of the Township of Markey (the Township) for the year ended March 31, 2008, and have issued our report thereon dated June 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note B to the financial statements. We evaluated standard governmental accounting policies and

procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2008

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Preparation of Financial Statements

The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions.

The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Markey's Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP